

FINAL EXAMINATION

December 2024

P-17(CMAD)

Syllabus 2022

COST AND MANAGEMENT AUDIT

Time Allowed: 3 Hours

Full Marks: 100

*The figures in the margin on the right side indicate full marks.
Where considered necessary, suitable assumptions may be made and
clearly indicated in the respective answer.*

All workings should form part of the answer.

SECTION-A (Compulsory)

1. (a) Choose the correct option from the four alternatives given: 2×10=20

- (i) Which of the following is/are the objective(s) for which cost audit is undertaken?
- (A) To establish the accuracy of costing data
 - (B) To ensure that cost accounting principles are governed by the management objectives and these are strictly adhered in preparing cost accounts
 - (C) To reduce the amount of detailed checking by the external auditor if effective internal cost audit system is in operation
 - (D) All of the above
- (ii) Which of the following is not a professional misconduct in relation to Cost Accountants in Practice as per Second Schedule of the CWA Act, 1959?
- (A) He/She fails to invite attention to any material departure from the generally accepted procedure of costing and pricing applicable to the circumstances.
 - (B) He/She does not exercise due diligence or is grossly negligent in the conduct of his /her professional duties.
 - (C) He/She fails to report a material misstatement known to him /her to appear in a cost or pricing statement with which he/she is concerned in a professional capacity.
 - (D) In the opinion of the council, he/she brings disrepute to the Profession or the Institute as a result of his/her action whether or not related to his/her professional work.
- (iii) The foreign exchange component of imported material is converted at the rate on _____.
- (A) Date of Payment
 - (B) Date of Delivery
 - (C) Date of Transaction
 - (D) Date of Use

(iv) Penalty paid to PF authorities is _____ in employee cost.

- (A) included
- (B) excluded
- (C) based on individual case
- (D) partly included

(v) Management Audit is useful for _____.

- (A) suggestion for targets.
- (B) assistance for management.
- (C) good staff relationship.
- (D) All of the above

(vi) Internal Controls and Internal Checks are:

- (A) one and the same.
- (B) different.
- (C) internal control includes internal checks.
- (D) None of the above

(vii) Which of the following is not prescribed in the Prevention of Money Laundering Act, 2002?

- (A) Seizure of property
- (B) Attachment of property
- (C) Confiscation of property
- (D) Life imprisonment

(viii) Which of the following does not form part of the cost of transportation?

- (A) Local Octroi Charges
- (B) Transit Insurance
- (C) Freight Expenses
- (D) Demurrage Charge

(ix) As per CAS 2, Actual Capacity utilization shall be presented as a percentage of _____.

- (A) Installed capacity
- (B) Practical capacity
- (C) Abnormal Loss
- (D) Actual Production

(x) Machinery used in defense, space and atomic energy sector and fulfilling turnover criterion is under

- (A) regulated sector
- (B) unregulated sector
- (C) occupied by different statute
- (D) not applicable category

(b) Choose the correct option:

2×5=10

The following figures relate to XYZ Ltd., for the two years:

Year ended on	31.03.2024	31.03.2023
Gross Profit (%)	25	20
Average Stock (₹)	40,000	50,000
Stock Turnover (times)	20	25
Income Tax Rate (%)	30	30
Post-tax Income as % of Sales	9	10

Find out the correct option in respect of the following items:

(xi) Cost of Goods Sold for the two years ending on 31.03.2024 and 31.03.2023: (₹)

- (A) 10,00,000 and 10,00,000
- (B) 12,50,000 and 8,00,000
- (C) 8,00,000 and 12,50,000
- (D) 10,00,000 and 12,50,000

(xii) Sales for the two years ending on 31.03.2024 and 31.03.2023: (₹)

- (A) 10,66,667 and 15,62,500
- (B) 15,62,500 and 10,66,667
- (C) 8,00,000 and 12,50,000
- (D) 10,00,000 and 15,62,500

- (xiii) Net Income after Tax for the two years ending on 31.03.2024 and 31.03.2023: (₹)
- (A) 96,000 and 1,56,250
 - (B) 1,56,250 and 96,000
 - (C) 1,00,000 and 1,56,250
 - (D) 1,56,250 and 1,00,000
- (xiv) Profit Before Tax for the two years ending on 31.03.2024 and 31.03.2023 (₹)
- (A) 96,000 and 1,56,250
 - (B) 2,23,214 and 1,37,143
 - (C) 1,00,000 and 1,56,250
 - (D) 1,37,143 and 2,23,214
- (xv) What is the increase/decrease in the Profit before Tax from 31.03.2023 to 31.03.2024?
- (A) Decrease by ₹ 86,071
 - (B) Increase by ₹ 86,071
 - (C) No Change
 - (D) Increase by ₹ 1,00,000

SECTION – B

(Answer any five questions out of seven questions given.)

Each question carries 14 marks)

14×5=70

2. (a) What are the advantages of the Cost Accounting Standards? 7
- (b) Explain the provisions relating to Applicability for Cost Audit as per Companies (Cost Records and Audit) Rules, 2014. 7
3. (a) As per the Companies Act, 2013, enumerate the qualifications and disqualifications of a Cost Auditor? 7
- (b) In a Cost Audit program, draw a checklist to audit the production of a manufacturing unit-product-wise. 7

4. (a) The following information is provided to you in respect of a cement manufacturing company for the year ended as follows:

The year ended March 31	2024	2023
Rated Capacity per Hour (in MT)	90	90
Break down (Hrs)	2,388	1,230
Planned Maintenance (Hrs)	258	482
Power restrictions (Hrs)	1,374	1,691
Shortfall (there are no orders) (Hrs)	822	878
Non-availability of Wagons (Hrs)	506	839
Total Stoppage (Hrs)	5,348	5,120
Total Running (Hrs)	3,570	3,971
Total Available Hours	8,918	9,091
Production during the year (in MT)	2,49,865	3,17,650
Hourly Rate of Production (in MT)	70	80
Capacity Utilisation (%)	59.49%	75.63%
Annual Installed capacity (in MT)	4,20,000	4,20,000

Based on the information stated above, you as a Cost Auditor are required to offer your comments on:

- The performance of the company
 - Your suggestion for improvement
- (b) A Steel Company which produced Iron Casting Pipes and TMT Bar is covered under the Cost Audit according to the Companies (Cost Records and Audit) Rules, 2014. From the expenditure data relating to 2023-24, determine the Employees Cost according to CAS-7, clearly indicating the items not included.

	₹ in lakhs
(i) Salary, Wages and other allowances	825
(ii) Bonus	120
(iii) Contribution to Provident Fund	100
(iv) Wages to contractors' employees	110
(v) Employees welfare	45
(vi) Abnormal cost due to strike	85
(vii) VRS payment for closure of TMT Bar Section of the plant	67
(viii) Arrear Salary (2022-23)	220
(ix) Compensation paid against the past periods against Court Order	60

5. (a) WXY Ltd. shows the following figures in their Cost Accounting Records for the Current year 2023-24 and the previous year 2022-23. Find Value Addition as per Annexure to Cost Audit Report (Part D).

₹ in lakh		
The year ended 31st March	2024	2023
Revenue from Operations including GST	10,324	8,773
Export Incentives	116	103
Income from other sources	218	178
Increase in stock of finished goods	235	182
Materials consumed	5278	4473
Stores and spares	348	287
Power & Fuel	522	450
Manufacturing overhead	203	186
Packing overheads	44	35
Wages and salaries	1,325	1,115
Interest	265	201
GST paid	510	440
Income tax	385	190
Dividend	175	160

- (b) List out the Code of Ethics for Certified Fraud Examiners as per the CFE Code of Professional Standards. 7
6. (a) Enumerate the measures to be taken for Customer Due Diligence and provisions related to Record Keeping as per Prevention of Money-Laundering Act (PMLA), 2002. 7
- (b) What do you understand by Corporate Social Responsibility? How are the Internal Auditors involved in CSR Audit? 7
7. (a) As an Information System Auditor of XYZ Bank, how would you maintain the Data Integrity? Explain. 7
- (b) What are the four essential dimensions involved in Corporate Development Audit? Explain the Scope of Corporate Development Audit. 7

8. (a) You are appointed to conduct an Operational Audit for a company. How do you prepare for such an Operational Audit and what are the objectives of Operational Audit? 7

(b) List out the important points to be considered while conducting the Audit of Hospitals. 7
